BANKING OMBUDSMAN RESPONSE

Refusal to Examine Systemic Pattern of Blunt Lending Practices on Older and Hazard-Noted Properties

Public Briefing Document – 17 July 2026

Executive Summary

On 17 July 2026, the Banking Ombudsman Scheme responded to correspondence detailing the emerging systemic pattern of broad, area-based lending restrictions being applied by New Zealand banks to older housing stock and properties carrying hazard notations.

The response constitutes a clear institutional deflection. While acknowledging the seriousness of the issues raised, the Ombudsman explicitly states that its role is limited to resolving individual customer complaints and that it will not undertake any examination of the broader industry practice or public policy implications. No further action will be taken on the systemic concerns presented.

This position is significant because it confirms another layer of central oversight that is unwilling or unable to address a structural issue affecting potentially large numbers of homeowners. Combined with the Reserve Bank's earlier statement that it has issued no guidance and holds no analysis on these lending practices, it leaves a clear accountability gap.

Full Response from the Banking Ombudsman Scheme

From: , Early Resolution Manager

Organisation: Banking Ombudsman Scheme

Date: 17 July 2026

Subject: RE: Information – Pattern of blunt lending practices on older & hazard-noted properties

Kia ora ,

Thank you for your email and for sharing your executive summary and concerns about lending practices. We acknowledge the seriousness of the matters you have raised.

The Banking Ombudsman Scheme's primary role is to consider complaints from individual customers about banking services they have received. Our focus is on resolving specific disputes between banks and their customers, rather than undertaking broader reviews of industry practices or public policy issues. However, where we identify wider themes or systemic learnings through the complaints we consider, we will raise those matters in a way we consider appropriate.

If customers affected by the issues you have raised contact us, we will consider how we may be able to assist.

At this stage, the information you have provided does not identify a specific banking complaint that we can consider. For this reason, we will not be taking any further action in relation to the matters outlined in your summary. Nevertheless, we have recorded your correspondence and appreciate you taking the time to bring these concerns to our attention.

Thank you again for getting in touch.

Ngā mihi

Early Resolution Manager Banking Ombudsman Scheme

Why This Deflection Matters

The Ombudsman's position that it will only act on individual complaints, and will not examine the systemic pattern even when presented with clear evidence of a widespread practice, creates a significant accountability gap for the following reasons:

1. Structural Nature of the Issue

The lending restrictions being applied are not isolated incidents affecting a few borrowers. They appear to be driven by broad policy responses to council hazard mapping and Reserve Bank climate risk frameworks. When large numbers of properties in particular postcodes or hazard zones face lending restrictions, this is a systemic market issue, not merely a series of individual disputes.

2. No Effective Forum for Systemic Concerns

Homeowners who discover they are on a hazard map and then face lending restrictions currently have very limited avenues for recourse. The Reserve Bank has stated it holds no analysis and has issued no guidance. The Banking Ombudsman has now stated it will not examine the practice itself. This leaves affected homeowners with no central body willing to assess whether the current approach is fair, proportionate, or creating unnecessary harm in the housing market.

3. Risk of Normalising Blunt Practices

By refusing to look at the pattern, oversight bodies risk normalising the use of broad, postcode-level or area-based lending criteria rather than individual, risk-based assessments. This approach can unfairly penalise well-maintained properties and properties with actual mitigation measures in place, while creating unnecessary downward pressure on property values and liquidity in affected areas.

4. Interaction with Council Transparency Failures

Many homeowners are discovering hazard notations and lending restrictions only after the fact — sometimes at public meetings. When councils have been resistant to providing clear information about the real-world consequences of hazard mapping, and when central complaints bodies then decline to examine the downstream lending effects, homeowners are left in a particularly difficult position with little transparency and limited recourse.

Broader Context

This response from the Banking Ombudsman forms part of a wider pattern of institutional reluctance to confront the full consequences of current approaches to hazard mapping and climate risk in the housing and lending sectors. Similar patterns of limited transparency and accountability have been documented in relation to:

- Council resistance to LGOIMA requests concerning the property and insurance impacts of hazard mapping.
- Inadequate proactive notification of residents when properties are placed on hazard maps.
- Reduced public scrutiny over co-governance entities influencing hazard and managed retreat decisions.
- The absence of central analysis or guidance from the Reserve Bank on how climate and hazard frameworks are affecting lending to older housing stock.

Conclusion

The Banking Ombudsman's explicit refusal to examine the systemic pattern of blunt lending practices — even when presented with evidence of widespread application — represents a further failure of central oversight. Homeowners facing sudden and significant

impacts on their ability to borrow, sell, or insure their properties are left with no effective mechanism to have the broader practice scrutinised.

This document records the Ombudsman’s response as part of the public record. It forms part of a series of briefings documenting transparency and accountability gaps in how New Zealand is managing flood and coastal hazard information and its downstream effects on property owners.

This document is released for public interest and media purposes. All information is based on official correspondence and publicly available records.